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MULTILATERAL INVESTMENT FUND

ECUADOR

**PROGRAM TO MITIGATE MARKET ACCESS BARRIERS UNDER
THE ANDEAN TRADE PREFERENCE ACT**

(EC-M1005)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Santiago Soler (MIF/OPS), Team Leader; Maritza Vela (MIF/OPS); Nicolás Uauy (RE3/EN3); Guillermo Arrivillaga (COF/CEC); Juan Carlos Pérez-Segnini (LEG/OPR); and Juan José Bertero (Consultant).

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ABBREVIATIONS

APHIS	Animal and Plant Health Inspection Service
ATPA	Andean Trade Preference Act
CORPEI	Corporación de Promoción de Exportaciones e Inversiones [Export and Investment Promotion Corporation]
MIF	Multilateral Investment Fund
PRA	Pest Risk Analysis
PROMSA	Agricultural Services Modernization Program
SESA	National Plant and Animal Health System of Ecuador
SMEs	Small and medium-sized enterprises

PROGRAM TO MITIGATE MARKET ACCESS BARRIERS UNDER THE ANDEAN TRADE PREFERENCE ACT

(EC-M1005)

EXECUTIVE SUMMARY

Executing agency: Corporación de Promoción de Exportaciones e Inversiones [Export and Investment Promotion Corporation] (CORPEI)

Beneficiaries: The beneficiaries of the proposed project will be the 500 small and medium-sized enterprises (SMEs) participating in the proposed project that directly or indirectly export their products, as well as growers of the fresh fruits and vegetables selected for the project and covered by the Andean Trade Preference Act (ATPA) who sell their products to the SMEs. At least 150 of these SMEs will implement the protocols and 105 will successfully export their products, directly or indirectly, preferably to the United States. One hundred professionals and specialists from the private sector, the National Plant and Animal Health System of Ecuador (SESA) or other public entities, universities, technological institutes, and the National Phytosanitary Monitoring Network will be trained. At least 60 of these individuals will provide services for the proposed project.

Financing:	Modality:	Grant
	MIF (Facility III-a):	US\$1,323,492 (60%)
	Local contribution:	<u>US\$ 878,538 (40%)</u>
	Total:	US\$ 2,202,030

Objectives: The overall objective of the project is to help increase and diversify Ecuadorian private-sector exports. The purpose is to help achieve compliance with nontariff regulations to improve the access of Ecuadorian companies to the U.S. market, by means of a systematic approach for dealing with technical barriers to that market before and after the ATPA expires.

This will be achieved through the following four components: (i) pest risk analysis; (ii) awareness-raising and dissemination of results; (iii) training and strengthening of the National Phytosanitary Monitoring System; and (iv) pilot project implementation.

Execution timetable: The project execution period will be 36 months and the disbursement period, 42 months.

Special contractual clauses:	As a condition precedent to the first disbursement, CORPEI must demonstrate to the Bank's satisfaction that it has: (i) established an executing unit and selected a director and a SESA project representative; (ii) placed the Operating Regulations in effect, in accordance with the version agreed on with the Bank; and (iii) ratified the sub-execution agreement with SESA (paragraph 8.1).
Environmental and social review:	The Committee on Environment and Social Impact reviewed the proposed project at its meeting on 26 September. The Committee's observations have been addressed in this document (paragraph 7.1).
Exceptions to Bank policy:	None.
Coordination with other official development institutions:	CORPEI will ensure coordination with a project being financed by the European Union and one being co-financed by the World Bank and the IDB (paragraph 1.10).

I. BACKGROUND

- 1.1 The macroeconomic situation in Ecuador has indisputably improved as a result of dollarization. However, some of the measures taken during implementation of the new currency regime further debilitated Ecuador's productive sector. In a dollarized economy, growth of monetary stock is directly tied to the influx of new foreign currency, whether through exports, foreign direct investment, or external debt. Considering the current state of the national economy, Ecuador should take steps to reduce its foreign debt and concentrate on stimulating exports and foreign direct investment. But in order to place more of its products in foreign markets, Ecuador, unlike the economies of other countries in the region, must generate real increases in productivity, since as an entirely dollarized economy, it does not have the option of modifying the exchange system.
- 1.2 Ecuador's nonpetroleum exports, after peaking in 1997 at US\$3.707 billion, are on the decline. This situation has given rise to a number of activities aimed at stimulating the productive sector. The most noteworthy of these is the effort to globalize small and medium-sized enterprises (SMEs) under the Andean Trade Preference Act (ATPA), which allows fresh fruits and vegetables from member countries of the Andean Community to be imported into the United States. This agreement will remain in effect until 2005. Thirty-two Ecuadorian products from that sector are covered under this regime.
- 1.3 Over the last five years, the total volume of fresh fruits and vegetables exported to the United States, excluding bananas, has risen steadily, with a growth rate of 384%.¹ However, these exports only accounted for 15% of the total volume of nontraditional products exported to the United States in 2002.² If this is considered in combination with the fact that tariff items corresponding to fresh fruits and vegetables account for a small percentage (2.24%) of the total number of tariff items included in the ATPA, the conclusion is that there is an enormous potential for growth and an opportunity to take greater advantage of the trade preferences.
- 1.4 **Problem.** Studies³ reveal that trade preferences under the ATPA are scarcely being used for a significant number of products. At present, the reasons for this are lack of familiarity with the trade preferences, scant awareness of the phytosanitary requirements in foreign markets, a weak and inadequate system for meeting technical requirements, and insufficient awareness and availability of resources for

¹ The private sector has benefited from publicly- and privately-funded programs directly supporting the development of exports, such as the Shared Funds Program and the Program to Help Promote Exports, both of which are administered by CORPEI.

² If bananas are included, fruit and vegetable exports accounted for 79.2% of all nonpetroleum exports to the United States in 2002.

³ "Oportunidades Comerciales para el Ecuador en Estados Unidos" [Business Opportunities for Ecuador in the United States], presented by CORPEI in Washington, D.C. in September 2002.

making improvements in SMEs and getting around these and other nontariff measures that block access to international markets.

- 1.5 The obstacle that Ecuador's fresh fruit and vegetable sector faces in increasing its exports, and thereby contributing to the growth of the national economy, has to do with failure to take full advantage of the ATPA, due to unfamiliarity on the part of companies and a weak national phytosanitary system. In that regard, the absence of pest risk analyses (PRAs) is the main obstacle. PRAs enable regulatory agencies (the National Plant and Animal Health System, or SESA, in Ecuador, and the Animal and Plant Health Inspection Service, or APHIS, in the United States) to determine when a pest should be regulated and how strong the phytosanitary measures to be applied by the importing country should be.
- 1.6 **Proposed solution.** The **additionality** or **innovation** that this project would provide lies in the proposal to conduct a pilot project in this sector to demonstrate how current production processes should be adapted to take advantage of the ATPA trade preferences system and its ability to help SMEs become more competitive and gain broader access to the U.S. market. The project proposes a systematic approach⁴ by which the private sector, with the backing of SESA, prepares PRAs for products, trains local specialists and experts, strengthens the National Phytosanitary Monitoring Network,⁵ and helps companies and growers make improvements based on the PRAs and circumvent nontariff barriers.⁶ In addition, the fact that Ecuadorian SMEs are unfamiliar with ATPA requirements and fail to grasp the real benefits associated with taking advantage of the trade preferences, as well as their lack of awareness of the risk involved in investing in meeting the technical requirements, is mitigated under the proposed project by a mechanism that provides incentives to a pilot group of companies.
- 1.7 Because this is a pilot project, the number of products is restricted to 10. Once the 10 products are chosen, APHIS, the U.S. regulatory agency, will be consulted to determine the risk (PRAs) and the precautions that should be taken to ensure that the products are able to enter the U.S. market. Then, SESA will request approval of the protocols negotiated with APHIS in order to coordinate with SME associations, which will implement them. The criteria for selecting the products and companies, as well as a detailed description of the overall process, are set forth in the Operating Regulations and Process Flowchart included in the technical files.

⁴ A chart illustrating this approach can be found in the technical files for the project. It addresses systematically preparing PRAs, awareness-raising and dissemination of results, and training public- and private-sector specialists, to strengthen the National Phytosanitary Monitoring Network.

⁵ Composed of a group of specialists (private and/or public) who are trained to gather information and prepare PRAs in collaboration with the SESA.

⁶ In this case, compliance with the technical standards is required by the competent authorities (SESA and APHIS) as stated in contracts for private commercial transactions involving products destined for the U.S. market.

- 1.8 **Bank strategy.** The proposed project is consistent with one of the Bank's pillars, competitiveness, and the Bank's strategy with Ecuador to support sustained growth and increased productivity. Specifically, the project will contribute to: (i) the adoption of a systematic approach to remove technical barriers that limit the ability of SMEs to compete; (ii) greater coordination between the public and private sectors; (iii) the strengthening of the National Phytosanitary Monitoring System; (iv) increased partnering between companies; and (v) better access to international markets for new exporters and products.
- 1.9 **Bank experience.** The design of the proposed project takes into account major **lessons learned** from other Multilateral Investment Fund (MIF) projects aimed at improving the competitiveness of small producers,⁷ such as: (i) targeting support to producers that have enough of a technological and economic base to respond to opportunities in export markets; (ii) gearing services towards meeting demand in the target market; (iii) ensuring that the executing agency has a relationship with the SMEs and producers and that it understands their needs and problems; (iv) developing a strategy for financial sustainability by selecting products and beneficiaries in such a way that ensures that the beneficiaries operate on a scale that allows them to generate enough income to pay for the services and set up a private improvement fund; and (v) incorporating activities that support compliance with environmental technical regulations.
- 1.10 In recent years, the Bank has been supporting the Government of Ecuador through the Agricultural Services Modernization Program (PROMSA) (892/OC-EC), which it cofinances with the World Bank. One of the achievements of this program was the establishment of SESA as an autonomous agency. The final phase of this work, which entails staff reorganization, has been difficult to finish. In 2003, the Bank programmed a new project with the Government of Ecuador to continue the work begun under PROMSA. In addition, and to complement the current project, a project financed by the European Union is being executed that has an institutional-strengthening component that seeks to strengthen SESA by purchasing new equipment and providing training to two specialists from the executing unit on phytosanitary issues for the flower sector. In the private sector, the MIF will introduce a **pilot project** that promotes **alliances and coordination** between the key players in the public and private sectors in an attempt to develop "a systematic approach" for dealing with nontariff barriers even after the ATPA expires. Lastly, the Bank is readying a Trade Sector Facility loan (EC-L-1001) that will provide technical assistance to build capacity for negotiating and implementing trade agreements. No specific activities are being pursued with CORPEI, but efforts will be made to ensure that both coordination units explore potential synergies.

⁷ Lessons learned are described in greater detail in the evaluation report of 10 projects approved by the MIF in nine countries in the region: Argentina, Belize, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Uruguay (visit <http://mif/website/static/en/lessons.asp>).

- 1.11 Improvements in the sector could rapidly have a **demonstration effect** and be extended to other products and sectors in Ecuador. At the regional level, the MIF is already preparing to **replicate** this project model in two other Andean countries that are subject to the ATPA, i.e. Colombia and Peru.
- 1.12 The proposed project is consistent with the guidelines established by the MIF in the action plan for the **Facilitation of International Trade and Investment** cluster. This project would benefit from experiences shared by the various executing agencies and the dissemination of best practices and lessons learned.

II. PROJECT OBJECTIVES, COMPONENTS, AND ACTIVITIES

- 2.1 The general objective of the project is to help increase and diversify Ecuadorian private-sector exports. The specific objective is to help achieve compliance with nontariff regulations to improve the access of Ecuadorian companies to the U.S. market, by means of a systematic approach for dealing with technical barriers to that market before and after the ATPA expires and during and after the life of the proposed project, using the fresh fruit and vegetable sector as a pilot sector. The result at project completion will be a model⁸ that has been implemented and is operating sustainably that brings SMEs into compliance with the technical requirements of export markets, thereby improving their access to those markets. This will be achieved through the following four components: (i) pest risk analysis; (ii) awareness-raising and dissemination of results; (iii) training and strengthening of the National Phytosanitary Monitoring System; and (iv) pilot project implementation. A chart of the overall implementation process by component is included in the project's technical files.

1. Component I: Pest risk analysis (MIF: US\$76,900; CORPEI: US\$25,000)

- 2.2 The purpose of this component will be to select 10 products from the fresh fruit and vegetable sector, prepare the corresponding PRAs, and secure APHIS approval of the protocols.⁹ To achieve this, the following activities will be pursued: selection of products by the executing unit, by purchasing information and a specialized database; hiring national and foreign specialists to prepare PRAs; and approval of the protocols developed by the executing unit and SESA through negotiations with the APHIS.

⁸ A systematic method of raising awareness about the importance of the regulations and coordinating the involvement of interested parties in the preparation, financing, and enforcement thereof, as a way to facilitate market access (development objective or project outcome).

⁹ The "protocol" is the negotiated PRA, which is equivalent to the pest mitigation plan.

- 2.3 As a result of these activities, the expectation is that 10 products will be selected, 10 PRAs will be prepared, and at least 50% of the protocols will be approved by APHIS/SESA.

**2. Component II: Awareness-raising and dissemination of results
(MIF: US\$29,000; CORPEI: US\$31,880)**

- 2.4 The purpose of this component is to establish ongoing communication between the project and the fresh fruit and vegetable sector to inform members of the sector and raise their awareness of nontariff barriers that hinder free trade with the United States, particularly phytosanitary barriers, and to disseminate the results of the project so that the experience can be replicated and transferred to other beneficiaries and sectors with export potential under this system. To this end, dissemination materials will be prepared, meetings and workshops will be held, and events will be organized with trade boards and unions, companies, and associations.
- 2.5 The results of this component with regard to **awareness-raising** will be the following: organized inventory of nontariff barriers to the U.S. market for the 10 products, by region; an up-to-date web page containing this information; participation of at least 500 export companies/growers in awareness-raising activities; and a demonstration of interest by at least 50% of the participants in joining the project. With regard to **dissemination**, the results will be disseminated to all of the companies in the sector; new sectors will be motivated and committed to participate in similar experiences; and a new agreement between public and private institutions will be signed to ensure project continuity after Bank/MIF financing ends.

3. Component III: Training and strengthening of the National Phytosanitary Monitoring System (MIF: US\$126,000; CORPEI: US\$199,400)

- 2.6 The purpose of this component is to strengthen the National Phytosanitary Monitoring System by providing training in PRA preparation, through SESA, to a group of specialists. Activities will include training, evaluation and registration of trained specialists, and strengthening of the National Phytosanitary Monitoring System.
- 2.7 The expected results of these activities are that 100 (private/public) specialists will attend training sessions; at least 60 specialists will be certified by review boards; a registry of certified specialists will be created; the certified specialists will be incorporated into the National Phytosanitary Monitoring System; cooperation agreements will be signed with the certified specialists; and at least 60 specialists will work on the project, providing technical assistance for preparing PRAs under Component I, conducting awareness-raising and dissemination activities under Component II, and providing technical support under Component IV.

4. Component IV: Pilot project implementation (MIF: US\$934,842; CORPEI: US\$308,158)

- 2.8 The purpose of this component is to demonstrate the positive impact that fulfilling the technical requirements for access to the U.S. market has on the competitiveness of SMEs. The following activities will be performed: the executing unit will review and select projects, which includes selecting the companies that will participate in the pilot project,¹⁰ and cofinancing technical assistance provided by specialists to implement the work plan described in the letters of agreement that the participating companies and the executing unit will sign. The main services to be cofinanced include: (i) field inspections of the production process, to prevent physical flaws and sanitary problems; (ii) field inspections to ensure the conditions for remedies and the waiting periods imposed by customers; (iii) training growers and personnel involved in productive process on handling, food safety, harvesting, and product packing techniques; (iv) implementing quality assurance systems for harvest and post-harvest processes, transport to packing, preparation, selection, packing, storage, transport, and traceability of products; and (v) advising on new business management and pricing techniques. The beneficiaries in the fresh fruit and vegetable sector will be: (i) companies within the framework of SMEs and potential exporters, according to the groupings in Ecuador's National Export Promotion Plan 2001-2010; and (ii) growers who deliver products to the aforementioned enterprises. In both cases, they must be connected with one of the 10 products selected. In addition, the companies must meet the following requirements: (i) have at least one year of experience operating in the formal sector and a taxpayer registration (RUC); (ii) have a favorable report from the central system to assess credit risks (up to a D rating); and (iii) contribute to the environmental sustainability of agricultural and agribusiness activities, particularly as regards land and water use, handling of agrochemicals, and agricultural and agribusiness machinery.
- 2.9 As a result of this component, 150 SMEs are expected to participate in the pilot project and at least 70% of them are expected to have directly or indirectly placed their products in the United States market by project completion.

III. PROJECT COST AND FINANCING

- 3.1 The project will cost US\$2,202,030, of which the MIF will contribute US\$1,323,492 in nonreimbursable funds. The remaining US\$878,538 will be provided by CORPEI. The contribution that SESA will make as the sub-executing agency is included under Component III.
- 3.2 Consultants will be hired to provide services to the companies. When the SMEs partner to work as a group, 60% of the cost of services will be subsidized. In the

¹⁰ Selection criteria are described in detail in the Operating Regulations.

case of companies receiving services on an individual basis, 50% of the cost will be subsidized. The consolidated budget is presented below, and the itemized budget can be found in Annex II.

Program budget (In US\$)

Components	MIF	CORPEI	Total
Executing agency	21,750	314,100	335,850
I. Pest risk analysis	76,900	25,000	101,900
II. Awareness-raising and dissemination of results	29,000	31,880	60,880
III. Training and strengthening of the National Phytosanitary Monitoring System	126,000	199,400	325,400
IV. Pilot project implementation	934,842	308,158	1,243,000
Evaluation, audits, and impact assessment	70,000	0	70,000
Cluster activity	15,000	0	15,000
Contingencies	50,000	0	50,000
Total	1,323,492	878,538	2,202,030
Percentage	60%	40%	100%

- 3.3 **Sustainability.** The sustainability of the proposed project is interpreted and approached on the basis of two aspects that CORPEI finds relevant: (i) acquisition of the capacity to take a “systematic approach” to the problem and provide solutions to the SMEs; and (ii) availability of funds to sustain activities that are crucial to project continuity. The first goal will be attained by training specialists in specific areas and bringing them into direct and permanent association with the National Phytosanitary Monitoring System. In order for the System to retain experts, agreements will be signed with the specialists and a framework agreement will be signed with SESA. Additional agreements will be signed with other public and private entities (trade boards and unions). The second goal, of economic-financial sustainability, will be attained through: (a) the growth rate of income generated from the sale of services under the heading of “preparation of PRAs and training;” (b) reduction of overhead expenses by streamlining administrative requirements to enable CORPEI, along with other institutions, to continue to make contributions; and (c) the creation of a private fund, which is described in detail in the technical files for the project. This fund will be created during and after project execution from contributions made by companies that succeed in exporting products and specialists who provide services. The fund is designed to be used upon project completion to cofinance new nontariff improvement services for companies that export products to the United States. The sustainability framework, along with a detailed list of assumptions and increased revenue generated through services, is included in Annex II.

IV. PROJECT EXECUTION AND MECHANISM

- 4.1 The **executing agency** for the project will be the Corporación de Promoción de Exportaciones e Inversiones (CORPEI). CORPEI is a private nonprofit institution with assets and capital coming from the Law on Foreign Trade and Investment (LEXI), Chapter IV, Article 22. The Corporation had assets totaling US\$3,906,000 in 2002. CORPEI, which was founded on 9 June 1997, is recognized by the government as Ecuador's official export and investment promotion agency. It employs 80 people at its three regional offices, located in Guayaquil, Quito, and Cuenca. The Guayaquil office serves as headquarters.¹¹ CORPEI has experience serving as a counterpart for and executing projects targeted at SMEs. For example, it was involved in the recently completed Shared Funds Program that arose out of a framework agreement between Ecuador's Ministry of Trade, Industrialization, and Fishing and the World Bank.
- 4.2 **Sub-executing agency.** CORPEI will sign a sub-execution agreement with SESA. SESA, which reports to the Ministry of Agriculture and Livestock, is the official regulatory and oversight agency for plant and animal health in Ecuador and sets and implements national policy in this area.
- 4.3 **Executing mechanism.** CORPEI, in its capacity as the executing agency, will have technical, administrative, and financial responsibility for the project. To this end, it will establish an executing unit as part of its structure. With regard to the project's geographic coverage, CORPEI will rely on its own current and future network of regional headquarters and dissemination offices. The offices will work exclusively to disseminate information about the project and receive documentation. The executing unit will be responsible for communicating with the Bank, a task that will involve forwarding to the Bank requests for its nonobjection to commissioning specialists, experts, and services and procuring goods for the project. The executing unit will consist of: (i) a project director; (ii) a financial-administrative coordinator; and (iii) an assistant. The responsibilities of the executing unit and terms of reference for its staff are available in the project's technical files.
- 4.4 The **Approval Committee** will be responsible for confirming that both the projects to be executed and the applicant companies meet the eligibility requirements and adhere to the guidelines of the proposed project. The committee will be composed of a CORPEI representative, a SESA representative, and the project director. The decision to invite other institutions to sit on the Approval Committee will be at the discretion of CORPEI and SESA.

¹¹ A geographic coverage map can be found in the technical files.

- 4.5 **Execution and disbursement periods.** The project execution period will be 36 months and the disbursement period, 42 months, from the entry into force of the technical cooperation agreement.
- 4.6 **Project readiness.** CORPEI, in collaboration with the project team, has: (i) submitted a letter of commitment to the MIF for the local counterpart contribution; (ii) submitted a letter to SESA assuming its commitments with regard to the project; (iii) written the first draft of the Operating Regulations, which also include the operating directives on best practices in management and administration of funds; (iv) prepared a draft subsidiary agreement to be signed by SESA, the sub-executing agency; and (v) drafted terms of reference for all of the members of the executing unit and the chief consultants.
- 4.7 **Procurements.** The consulting services will be selected and commissioned and equipment and materials procured in accordance with Bank and MIF procedures.
- 4.8 As part of the fund for Component IV, project beneficiaries may submit requests to CORPEI under the open window system. The relevance of the financing request will be expeditiously evaluated and determined by the Approval Committee using criteria defined in the Operating Regulations.

V. MONITORING AND EVALUATION

- 5.1 The Bank's Country Office in Ecuador will be responsible for performing supervision and oversight, monitoring compliance with contractual clauses, processing disbursement requests, and receiving audited financial statements. CORPEI will submit semiannual progress reports, in accordance with the Bank's standard information requirements.
- 5.2 The Bank, in coordination with CORPEI, will hire individual consultants to conduct a midterm and a final evaluation based on the Donors Memorandum and the performance indicators described in the Logical Framework and the MIF Project Performance Monitoring Report. Annual audits and one final audit will be performed. The executing agency will provide access to all of the information and documentation required for the audits.
- 5.3 Project monitoring and evaluation activities will be coordinated with the MIF **Facilitation of International Trade and Investment** project cluster. Project representatives will participate in annual cluster workshops to receive and provide feedback.

VI. BENEFITS AND RISKS

- 6.1 **Project benefits.** The expected results upon project completion are, at the micro level, for a group of SMEs to obtain access to the U.S. market or increase their exports of fruits and vegetables to that market using the Andean system of trade preferences and a cadre of local specialists trained to work with the companies to implement improvements made necessary by nontariff barriers to free trade. At the macro level, Ecuadorian exports will be diversified and increased, which will cause the economy to expand, create jobs, and attract foreign currency. Specifically, the project is expected to bolster the technical and operating capacity of the National Phytosanitary Monitoring System. The project should also lead to greater association and coordination between public and private business sectors so that SMEs are better able to compete in foreign markets.
- 6.2 **Final beneficiaries.** Of a total number of 900 SMEs with export potential and an equal number of growers, the direct beneficiaries of the proposed project will be 500 SMEs in the fresh fruit and vegetable sector that meet the eligibility requirements set forth in the Operating Regulations. These SMEs will be able to participate on an individual or group basis, with the understanding that the project will subsidize a greater proportion of the cost of services for companies participating in groups, as a way of promoting business partnerships. In addition, 100 specialists tied to the sector will benefit from the project.
- 6.3 **Risks.** The main risk is that foreign markets, and in this case, the United States, may make changes to their regime of nontariff barriers that outpace the companies' capacity to respond. To mitigate this risk, SESA, in collaboration with CORPEI, will develop a strategy to work closely and negotiate with APHIS. In any event, the systematic approach proposed under the project from the private sector establishes alliances and provides for coordination between the key players in the public and private sectors to cope with nontariff barriers after the ATPA expires and in markets other than the United States.

VII. SOCIAL AND ENVIRONMENTAL CONSIDERATIONS

- 7.1 The Committee on Environment and Social Impact has requested that occupational safety be assessed to determine what action the executing agencies should take and how compliance with workplace standards will be reported. The proposed project's training component for consultants will cover workplace safety and social conditions. In addition, compliance with these standards will be verified during inspection visits to growers and exporters in the fresh fruit and vegetable sector. Training will also cover pesticide management. Furthermore, with the enactment of the Bioterrorism Act in the United States, many companies must receive training to learn how to set up product traceability.

VIII. SPECIAL CONTRACTUAL CONDITIONS

- 8.1 As a condition precedent to the first disbursement, CORPEI must demonstrate to the Bank's satisfaction that it has: (1) established an executing unit and selected a director and a SESA project representative; (2) placed the Operating Regulations in effect, in accordance with the version agreed on with the Bank; and (3) ratified the sub-execution agreement with SESA.

PROJECT TO MITIGATE MARKET ACCESS BARRIERS UNDER THE ANDEAN TRADE PREFERENCE ACT¹
LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumptions
Goal			
To help increase and diversify Ecuadorian private-sector exports.	Larger supply of exports (number of products, volume, and foreign currency).	<ul style="list-style-type: none"> Export statistics from the Central Bank, the Superintendency of Companies, and the Ecuadorian Customs Corporation. Ex post evaluation to be performed by the executing agency. 	<ul style="list-style-type: none"> Conditions are favorable for exports.
Purpose			
To help achieve compliance with nontariff regulations to improve the access of Ecuadorian companies to the U.S. market, by means of a systematic approach for dealing with technical barriers to that market before and after the ATPA expires and during and after the life of the proposed project, using the fresh fruit and vegetable sector as a pilot sector.	<p>Upon project completion, Ecuadorian private-sector exports to the U.S. market of the 10 products selected from the fresh fruit and vegetable sector increase by 15%, based on exports at the beginning of the project.²</p> <p>70% of the companies that received assistance during the pilot project comply with the agreed on protocols.</p>	<ul style="list-style-type: none"> Central Bank/Ecuadorian Customs Corporation export statistics for the fresh fruit and vegetable sector. Semiannual progress reports on the project. Registration of CORPEI export coupon. Official SESA registration of negotiated protocols. 	<ul style="list-style-type: none"> SESA maintains interest and strengthens activities targeting Ecuadorian SMEs. The interinstitutional agreements remain in effect for the duration of the project. ATPA trade preferences remain in effect. SMEs in the fresh fruit and vegetable sector enhance their business opportunities by adapting their products to market standards. Favorable demand prevails in the U.S. market.

¹ This project seeks to take advantage of the ATPA; however, through the proposed model, it would address barriers that extend beyond the purview and term of that agreement.

² This is reflected in a baseline established during execution, once the products have been selected.

Objectives	Indicators	Means of verification	Assumptions
Components and activities Component 1: Pest risk analysis Activities in Component 1: 1.1 Selection of products (\$18,400) 1.2 Preparation of PRAs (\$69,000) 1.3 Approval of protocols (\$14,500)	PRAs and protocols are approved (first quarter of the second year). <ul style="list-style-type: none"> During the first six months, 10 products are selected. By the end of the first year, 10 PRAs for the selected products are completed. Upon project completion, protocols for at least 50% of the products are approved by SESA/APHIS. 	Project report. <ul style="list-style-type: none"> Quarterly progress reports from consultants. Completed PRAs. Protocols approved by SESA/APHIS. 	<ul style="list-style-type: none"> SMEs in the fresh fruit and vegetable sector perceive their business opportunities and demand that products be adapted to meet market standards. Nontariff barriers are not modified during project execution. Favorable demand prevails in the U.S. market. SESA continues to be the national agency responsible for phytosanitary control and the sole counterpart of APHIS in Ecuador. APHIS is prepared to provide the assistance needed for the project.
Component 2: Awareness-raising and dissemination of results Activities in Component 2: 2.1 Preparation of dissemination materials (\$28,000)	The fresh fruit and vegetable sector has greater familiarity with the nontariff restrictions that hinder free trade with the United States. The project beneficiaries and other sectors with export potential under this system are informed of the results of the project (upon project completion). Awareness-raising: <ul style="list-style-type: none"> By the end of the first year, a list of nontariff restrictions for the 10 products is available. By the middle of the second year, at least 500 exporter-growers are 	<ul style="list-style-type: none"> Project report. Specialized report with product-specific information taken from the PRAs. Lists of meeting and workshop participants. Database of statements of interest. 	<ul style="list-style-type: none"> The selected sector becomes more aware of nontariff restrictions impeding free trade with the United States. The model is replicated for other beneficiaries and sectors that have export potential. The public-private alliance with regard to phytosanitary issues affecting the fresh fruit and vegetable sector continues.

Objectives	Indicators	Means of verification	Assumptions
	informed and at least 50% submit a statement of interest in participating in the pilot project.	<ul style="list-style-type: none"> Semiannual progress reports from the executing unit. Information available on the web page. 	<ul style="list-style-type: none"> The United States continues to be the principal market for Ecuadorian exports of fresh fruits and vegetables.
2.2 Meetings and workshops (\$32,880) 2.2.1 Organization of events 2.2.2 Hiring of specialists	Dissemination: <ul style="list-style-type: none"> By the end of the first year, this information is posted on the web page. Upon project completion: <ul style="list-style-type: none"> 8 workshops and conferences with the business sector are held and information-sharing techniques are available. 8 meetings and conferences with the institutional sector are held. 1 closing seminar is held. 		<ul style="list-style-type: none"> Nontariff barriers are not modified during project execution. SMEs in the fresh fruit and vegetable sector enhance their business opportunities by adapting their products to market standards. Companies benefiting from the pilot project have obtained business opportunities in the U.S. market.
Component 3: Training and strengthening of the National Phytosanitary Monitoring System Activities in Component 3: 3.1 Training (\$290,400) 3.2 Evaluation and registration of trained specialists and strengthening of the National Phytosanitary Monitoring System (\$35,000)	The National Phytosanitary Monitoring System is strengthened through the involvement of a group of specialists trained by SESA to prepare PRAs (first half of the final year). <ul style="list-style-type: none"> By the beginning of the second year, 4 training sessions are held. By the beginning of the second year, 100 (private and/or public) specialists are trained and at least 60% of them obtain certification and a listing with the Registry of Certified Specialists. Upon project completion, the certified specialists have joined the National Phytosanitary Monitoring System. 	<ul style="list-style-type: none"> Project report. Lists of workshop participants. Evaluations of the specialists. Registry of certified specialists. Reports from trainers. Signed agreements between the trained specialists and SESA/CORPEL. Semiannual progress reports from the executing unit. 	<ul style="list-style-type: none"> Suitable candidates are interested in being trained. The public-private alliance with regard to phytosanitary issues affecting the fresh fruit and vegetable sector continues. SMEs in the fresh fruit and vegetable sector enhance their business opportunities by adapting their products to market standards.

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> At least 60% of the trained specialists provide services to the project. 		<ul style="list-style-type: none"> SESA continues to be the national agency responsible for phytosanitary control and the sole counterpart of APHIS in Ecuador. APHIS is prepared to provide the assistance needed for the project.
<p>Component 4: Pilot project implementation</p> <p>Activities in Component 4:</p> <p>4.1 Receipt and selection of projects (\$9,500)</p> <p>4.2 Technical assistance (\$1,233,500)</p>	<p>PRA's implemented in a pilot group of companies (by project completion).</p> <ul style="list-style-type: none"> At least 150 SMEs implement the protocols by project completion. At least 70% of these SMEs successfully export their products to the U.S. market (directly or indirectly). 	<ul style="list-style-type: none"> Protocols prepared. Project report. Protocols approved by APHIS/SESA. Signed agreement of commitment between the private sector and the public sector: SMEs/CORPEI/SESA. Monthly monitoring reports on the participating SMEs. Semiannual progress reports from the executing unit technical coordinator. Semiannual progress reports from the executing unit. 	<p>The SMEs participate in the pilot project, successfully have their protocols approved, and export to the U.S.</p> <ul style="list-style-type: none"> SMEs in the fresh fruit and vegetable sector enhance their business opportunities by adapting their products to market standards. Favorable demand prevails in the U.S. market. The United States continues to be the principal market for Ecuadorian exports of fresh fruits and vegetables. All of the companies selected to participate have sufficient financial resources to carry out the project and implement the protocols.

CATEGORY	MIF US\$	Local Contrib. US\$	Total US\$
Executing unit	21750	314100	335850
Staff	14400	227700	242100
Project director	0	168000	168000
Administrative-financial-accounting coordinator	0	52500	52500
Assistant	14400	0	14400
Messenger	0	7200	7200
Logistics	7350	86400	93750
Equipment			
Office space	0	28800	28800
Furniture	0	8380	8380
Supplies	0	24020	24020
Logistics	0	0	0
Communications	0	21600	21600
Courier services	0	3600	3600
Travel and per diem	7350	0	7350
Component I: Pest risk analysis	76900	25000	101900
1.1 Selection of products	18400	0	18400
1.1.1 Subscription and purchase of specific documents	8400	0	8400
1.1.2 Acquisition of baseline information	10000	0	10000
1.2 Preparation of PRAs	44000	25000	69000
1.2.1 Hiring of local experts	44000	0	44000
1.2.2 Hiring of SESA specialists	0	25000	25000
1.3 Approval of protocols	14500	0	14500
1.3.1 Travel and per diem for local experts	4000	0	4000
1.3.2 Travel and per diem for SESA specialists	2000	0	2000
1.3.3 Travel and per diem for APHIS negotiations	8500	0	8500
Component II: Awareness-raising and dissemination of results	29000	31880	60880
2.1 Preparation of dissemination materials	11000	17000	28000
2.1.1 PRA pamphlets and instructions	3000	0	3000
2.1.2 Materials for disseminating results	8000	11000	19000
2.1.3 Web page, video, and multimedia	0	6000	6000
2.2 Meetings and workshops	18000	14880	32880
2.2.1 Organization of events			
2.2.1.1 Meetings to raise awareness of trade boards, unions, and companies	3850	3990	7840
2.2.2 Workshops with companies and techniques for sharing experiences and partnering	3850	3990	7840
2.2.3 Seminar to present results	2000	4000	6000
2.2.2 Hiring of specialists			
2.2.2.1 Travel and per diem	3300	2900	6200
2.2.2.2 Hiring of specialists	5000	0	5000
Component III: Training and strengthening of the Nat'l Phytosanitary Mon. System	126000	199400	325400
3.1 Training	96000	194400	290400
3.1.1 Hiring of local or international experts	10000	0	10000
3.1.2 Travel and per diem for international experts	7800	0	7800
3.1.3 Rental of equipment, meeting space, supplies, and communications	4200	14400	18600
3.1.4 Travel and per diem	2000	0	2000
3.1.5 Technical coordinator	72000	0	72000
3.1.6 SESA technical coordinators	0	180000	180000
3.2 Registration of certified specialists and strengthening of system	30000	5000	35000
3.2.1 Equipment	10000	4000	14000
3.2.2 Meetings to coordinate and to sign agreements	0	1000	1000
3.2.3 Certification costs	20000	0	20000
Component IV: Pilot project implementation	934842	308158	1243000
4.1 Receipt and selection of projects	7250	2250	9500
4.1.1 Planning meetings	2250	2250	4500
4.1.2 Travel and per diem	5000	0	5000
4.2 Technical assistance	927592	305908	1233500
4.2.1 Hiring of specialists to implement pilot project	927592	305908	1233500
Cluster activities	15000	0	15000
Evaluation, audits, and impact assessment	70000	0	70000
SUBTOTAL	1273492	878538	2152030
Contingencies (5%)	50000		50000
TOTAL	1323492	878538	2202030
MIF and local counterpart percentages:	60%	40%	100%

MIF projects in Ecuador
Overcoming Barriers, and Market Access, under ATPA
EC-M1005

A. Similar or related MIF projects

None.

B. Similar or Related Bank projects.

Project Number and Approval Date	Project Name, Sector, Executing Agency and Amount	Signing Date and Disbursement Period in Months	Amount disbursed	Comments
PROMSA 892/OC-EC October 11, 1995	Modernization of Agricultural Services I, Agriculture, Ministry of Agriculture \$20,279,499	April 30, 1996 60 months	\$20,279,499	Favorable development prospects (output and outcomes), but with slow execution (30 months extension).

C. Projects related to the same sector or beneficiaries

Idem B.